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# **FEDERAL DEPOSIT INSURANCE CORPORATION**

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## **Executive Management Report**

**Unaudited**

**Financial Results**

**For the Six Months Ending June 30, 1998**

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**Division of Finance**

# Financial Highlights

## For the Six Months Ending June 30, 1998

### ***Bank Insurance Fund (BIF):***

- Net income plus unrealized gains on available-for-sale securities was \$638 million for the six months ending June 30, 1998, raising the fund balance to \$28.9 billion.
- Revenue totaled \$858 million for the six months ending June 30, 1998. The fund earned \$827 million in interest on investments in U.S. Treasury securities and earned \$8 million in deposit insurance assessments.
- The liability for anticipated failures of insured BIF institutions at \$47 million reflects the stable condition of the banking industry.
- Receivables from bank resolutions is \$841 million at June 30, 1998. This receivable balance peaked at \$27.8 billion in 1992 due to the large number of bank failures occurring at that time.
- Assets in liquidation totaled \$1.3 billion as of June 30, 1998, down by \$1.5 billion over the last 12 months.
- Total BIF expenses (fund level and receivership) decreased by \$32 million to \$394 million for the period ending June 30, 1998, compared to the same period last year. The BIF's operating expenses at the fund level increased by \$62 million to \$332 million as BIF receivership liquidation activity declined and programs associated with the primary purpose of the BIF, to insure deposits and to protect depositors of BIF-insured banks, become the principal activity of the Fund.

### ***Savings Association Insurance Fund (SAIF):***

- Net income was \$242 million for the six months ending June 30, 1998, increasing the fund balance to \$9.6 billion.
- Total revenue was \$282 million for the six months ending June 30, 1998.
- Total assets in liquidation is approximately \$3 million as of June 30, 1998, compared to \$25 million one year earlier.

### ***FSLIC Resolution Fund (FRF):***

#### ***~FRF-FSLIC~***

- Subsequent to June 30, it was determined that the FRF-FSLIC may be responsible for judgements and settlements of the goodwill litigation involving numerous cases against the U. S. Government. Future litigation losses are not estimable at this time. Settlements involving goodwill litigation reached to date will require payments totaling \$104 million. *(See note on next page for more detail).*
- Assets in liquidation totaled \$106 million, down by \$257

million over the last 12 months.

- Net receivables from thrift resolutions were \$44 million at June 30, 1998, compared to \$120 million for June 30, 1997, as assets of the former FSLIC continue to be liquidated.
- Net cash provided by operating activities decreased by \$770 million over the same period last year, due primarily to \$651.7 million received in January 1997 from the sale of common stock. The FRF had received the stock pursuant to a conversion, in December 1996, of warrants originally acquired from a 1987 assistance transaction.
- The accumulated deficit declined by \$136 million over the past year, as total resolution equity increased to \$2 billion as of June 30, 1998.

### ***~FRF-RTC~***

- The FRF-RTC earned \$156 million in interest income during the first six months of 1998 on the securitization credit enhancement reserves that were transferred to the Corporation as a non-cash dividend in October 1996.
- Assets in liquidation totaled \$1.7 billion as of June 30, 1998, down by \$1.4 billion over the last 12 months.
- Federal Financing Bank (FFB) borrowings were reduced by \$1.9 billion to \$357 million during the twelve months ending June 30, 1998.
- Provision for losses is a negative \$382 million for the period, primarily reflecting decreased losses expected for assets in liquidation.
- The accumulated deficit declined by \$1.7 billion over the past year, as total resolution equity increased to \$7.1 billion as of June 30, 1998.

### ***Bank and Thrift Failure Activity:***

- One BIF-insured institution, with assets of \$38 million, failed during the first six months of 1998. During 1997, one bank failed with total assets of \$26 million.
- No SAIF-insured institutions failed during the first six months of 1998 or during calendar 1997.

## Other Significant Highlights

### *~Available-For-Sale Securities~*

- Historically, FDIC has purchased securities with the intention of holding them to maturity. Since October 1997, the Corporation, on behalf of the BIF and the SAIF, has purchased \$1.7 billion and \$575 million (par value) of securities, respectively, and designated them as *available-for-sale* to enhance the funds' liquidity position. This designation, along with the presentation of unrealized gains and losses on the Statements of Income and Fund Balance, is consistent with the applicable accounting standard, which requires these types of securities to be recorded at fair market value. For the six months ended June 30, 1998, the BIF recorded an unrealized gain of \$970 thousand and the SAIF recorded an unrealized loss of \$40 thousand. These gains and/or losses are reflected in the fund balance and are added to Net Income to arrive at Comprehensive Income.

### *~Asset Capitalization~*

- Effective January 1, 1998, the FDIC began capitalizing various costs including software development, computer equipment, and leasehold improvements due to the increasing materiality of these costs. Previously, only land and buildings owned by the Corporation were capitalized. The BIF is the designated administrator of all capital assets owned and used by the Corporation. Depreciation expense will be allocated periodically to all funds on an equitable basis for each class of assets.

### *~Goodwill Litigation~*

- The U.S. Department of the Treasury has concluded that payment for judgments in most supervisory goodwill litigation should come from the FRF. Damages sought in the supervisory goodwill cases are in the "tens of billions of dollars," according to the Court of Federal Claims. Goodwill cases are those in which certain alleged agreements entered into by the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation are claimed to have been breached when Congress enacted legislation affecting the thrift industry and that legislation was implemented by the Office of Thrift Supervision. Future goodwill litigation settlements cannot be reasonably estimated now. However, if substantial final judgments are entered against the United States in the goodwill cases, available resources will likely not be sufficient to satisfy these obligations. Under such circumstances, 12 U.S.C. 1821a(c) provides that "the Secretary of the Treasury shall pay to the Fund such amounts as may be necessary, as determined by the [FDIC] and the Secretary, for FSLIC Resolution Fund purposes." Accordingly, Congress may need to appropriate additional funds to the FRF to carry out this provision.

Settlements reached to date in the goodwill cases require payments totaling \$104 million. The required payments associated with these cases are reflected in the Statement of Income and Accumulated Deficit in the "Interest and other insurance expenses" line item. The liability is presented on the Statement of Financial Position in the "Accounts payable and other liabilities" line item.

# Statistical Highlights

(Dollars in Millions)

<b>Fund Results</b>	<b>Bank Insurance Fund (Unaudited)</b>		<b>Savings Association Insurance Fund (Unaudited)</b>	
	<b>YTD 6/30/98</b>	<b>YTD 6/30/97</b>	<b>YTD 6/30/98</b>	<b>YTD 6/30/97</b>
Revenue	\$858	\$761	\$282	\$276
Operating Expenses	\$332	\$270	\$40	\$31
Insurance Losses/Expenses	(\$111)	(\$44)	\$0	(\$1)
Comprehensive Income (a)	\$638	\$535	\$242	\$246
Fund Balance	\$28,931	\$27,389	\$9,610	\$9,134

## **Selected Statistics**

Total Insured Institutions	9,316 (b)	9,614 (c)	1,490 (b)	1,577 (c)
Number of Failures, YTD	1	0	0	0
Total Assets of Failures, YTD	\$38	\$0	\$0	\$0
Total Estimated Losses, YTD	\$3	\$0	\$0	\$0
Receivership/Assets Acquired from Assisted Institutions and Terminated Receiverships	\$1,303	\$2,787	\$3	\$25

(a) Includes Net Income plus any unrealized gains and/or losses on available-for-sale securities.

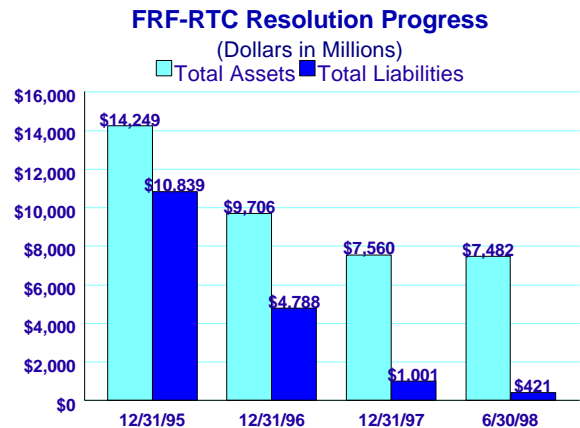
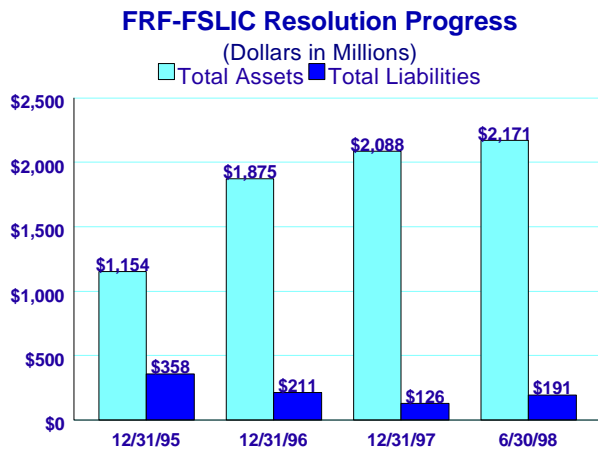
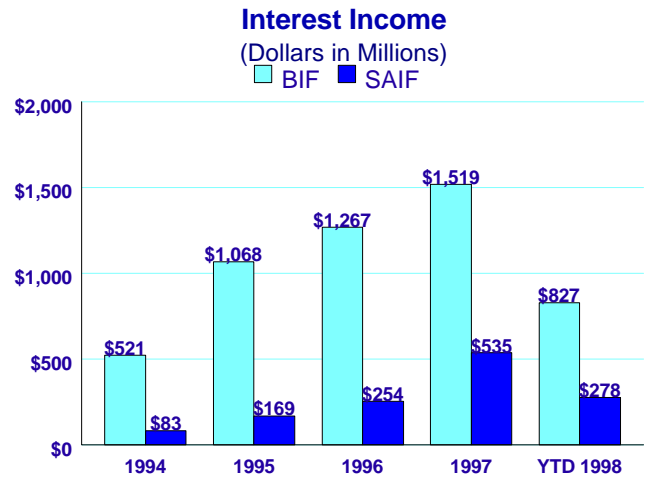
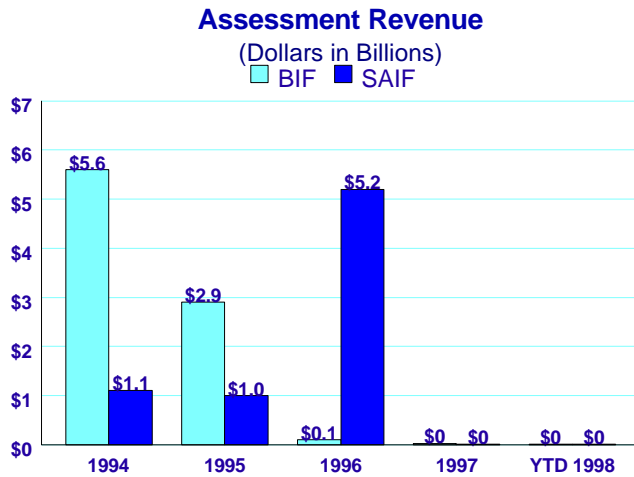
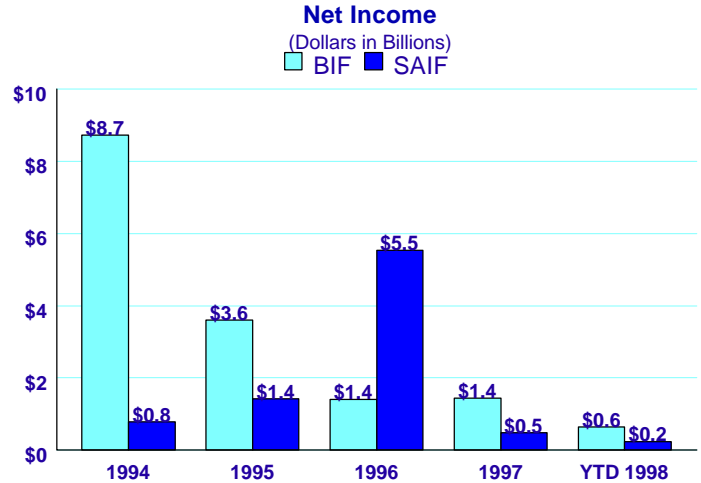
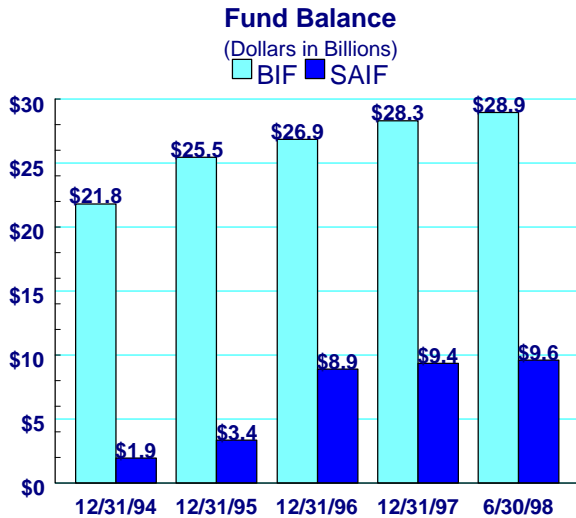
(b) Source: 3/31/98 FDIC Quarterly Banking Profile. BIF figure includes 27 U.S. branches of foreign banks.

(c) Source: 6/30/97 FDIC Quarterly Banking Profile. BIF figure includes 31 U.S. branches of foreign banks.

	<b>FRF - FSLIC (Unaudited)</b>		<b>FRF - RTC (Unaudited)</b>		<b>FRF - Consolidated (Unaudited)</b>	
	<b>YTD 6/30/98</b>	<b>YTD 6/30/97</b>	<b>YTD 6/30/98</b>	<b>YTD 6/30/97</b>	<b>YTD 6/30/98</b>	<b>YTD 6/30/97</b>
<b>Cash Flows</b>						
<b><i>Cash Flows from Operating Activities:</i></b>						
Cash Provided by Operating Activities	\$193	\$970	\$632	\$2,770	\$825	\$3,740
Cash Used for Operating Activities	(\$22)	(\$29)	(\$158)	(\$394)	(\$180)	(\$423)
Net Cash Provided by/(Used for) Operating Activities	\$171	\$941	\$474	\$2,376	\$645	\$3,317
<b><i>Cash Flows from Financing Activities:</i></b>						
U.S. Treasury Payments	\$0	\$0	\$0	\$0	\$0	\$0
Repayments of Federal Financing Bank Borrowings	\$0	\$0	(\$486)	(\$2,327)	(\$486)	(\$2,327)
Repayments of Indebtedness Incurred from Thrift Resolutions	(\$32)	(\$32)	\$0	\$0	(\$32)	(\$32)
Net Increase/(Decrease) in Cash	\$139	\$909	(\$12)	\$49	\$127	\$958
<b><u>Selected Statistics</u></b>						
Resolution Equity	\$1,980	\$1,844	\$7,061	\$5,357	\$9,041	\$7,201
Number of Active Receiverships	26	29	392	406	418	435
Number of Other Liquidating Entities	57	57	18	19	75	76
Rec./Assets Acquired from Assisted Thrifts and Terminated Receiverships	\$106	\$363	\$1,700	\$3,086	\$1,806	\$3,449
Federal Financing Bank Borrowings	\$0	\$0	\$357	\$2,260	\$357	\$2,260

# Fund Operations

## Financial Results through June 30, 1998

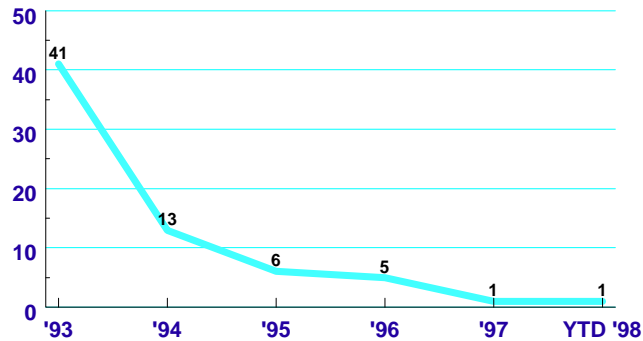


Results for the six months ending June 30, 1998, are unaudited. In addition, the U.S. General Accounting Office audits the FRF on a consolidated basis. Therefore, only the 12/31/95 results, representing the last year-end before RTC sunset, of FRF-FSLIC and FRF-RTC are audited.

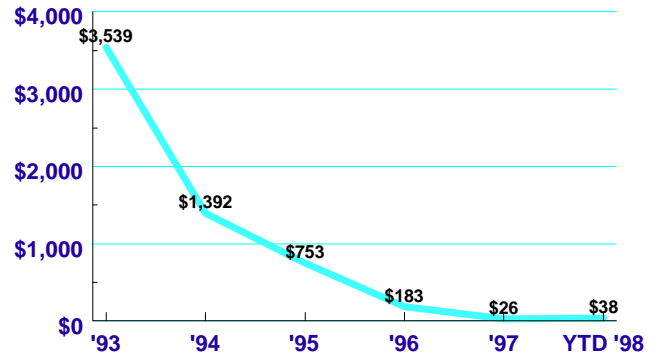
# Insurance Activity

Through June 30, 1998

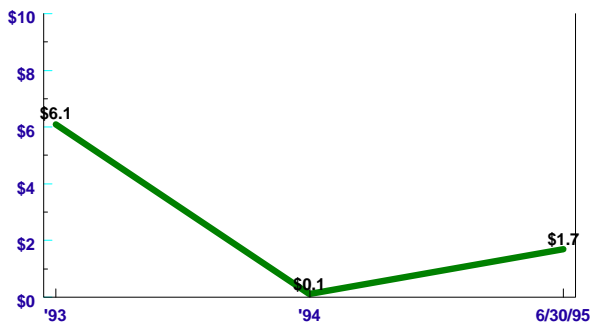
**Number of Closed and Assisted BIF-Member Institutions**



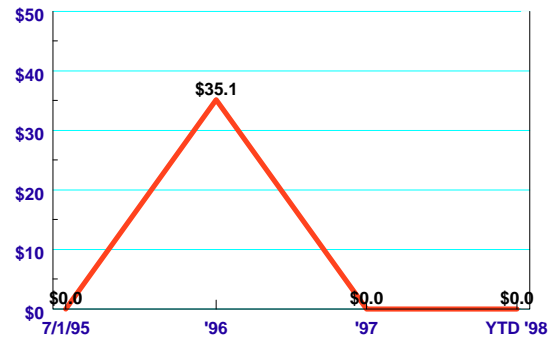
**Assets of Closed and Assisted BIF-Member Institutions**  
at Date of Closing or Assistance  
(Dollars in Millions)



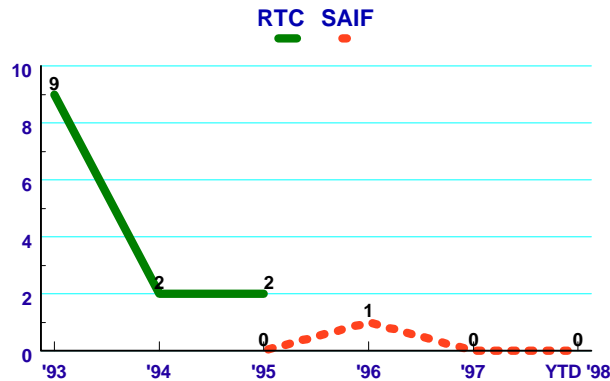
**RTC: Assets of Failed Thrifts \***  
at Date of Failure  
(Dollars in Billions)



**SAIF: Assets of Failed Thrifts \***  
at Date of Failure  
(Dollars in Millions)



**Number of Thrift Failures \***



\*The SAIF assumed responsibility for thrift-member institution failures from the RTC on July 1, 1995.

# Federal Deposit Insurance Corporation

## Bank Insurance Fund and Savings Association Insurance Fund

### Statements of Income and Fund Balance

(Dollars in Millions)

	<b>B I F</b> <b>Quarter Ending June 30</b> <b>(Unaudited)</b>		<b>S A I F</b> <b>Quarter Ending June 30</b> <b>(Unaudited)</b>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
<b>Revenue</b>				
Assessments	\$ 3	\$ 5	\$ 7	\$ 8
Interest on U.S. Treasury investments	419	380	140	134
Revenue from assets acquired from assisted institutions and terminated receiverships	6	15	0	0
Other revenue	5	6	0	0
<b>Total Revenue</b>	<b>433</b>	<b>406</b>	<b>147</b>	<b>142</b>
<b>Expenses and Losses</b>				
Operating expenses	200	145	24	17
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(138)	(104)	(3)	0
Expenses for assets acquired from assisted institutions and terminated receiverships	(0)	17	0	0
Interest and other insurance expenses	1	1	0	0
<b>Total Expenses and Losses</b>	<b>63</b>	<b>59</b>	<b>21</b>	<b>17</b>
<b>Net Income</b>	<b>370</b>	<b>347</b>	<b>126</b>	<b>125</b>
Unrealized gain/(loss) on available-for-sale securities (current period)	2	0	0	0
<b>Comprehensive Income</b>	<b>372</b>	<b>347</b>	<b>126</b>	<b>125</b>
<b>Fund Balance - Beginning</b>	<b>28,559</b>	<b>27,042</b>	<b>9,484</b>	<b>9,009</b>
<b>Fund Balance - Ending</b>	<b>\$ 28,931</b>	<b>\$ 27,389</b>	<b>\$ 9,610</b>	<b>\$ 9,134</b>

	<b>B I F</b> <b>Y-T-D June</b> <b>(Unaudited)</b>		<b>S A I F</b> <b>Y-T-D June</b> <b>(Unaudited)</b>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
<b>Revenue</b>				
Assessments	\$ 8	\$ 13	\$ 4	\$ 14
Interest on U.S. Treasury investments	827	713	278	262
Revenue from assets acquired from assisted institutions and terminated receiverships	13	21	0	0
Other revenue	10	14	0	0
<b>Total Revenue</b>	<b>858</b>	<b>761</b>	<b>282</b>	<b>276</b>
<b>Expenses and Losses</b>				
Operating expenses	332	270	40	31
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(127)	(76)	0	(1)
Expenses for assets acquired from assisted institutions and terminated receiverships	15	31	0	0
Interest and other insurance expenses	1	1	0	0
<b>Total Expenses and Losses</b>	<b>221</b>	<b>226</b>	<b>40</b>	<b>30</b>
<b>Net Income</b>	<b>637</b>	<b>535</b>	<b>242</b>	<b>246</b>
Unrealized gain/(loss) on available-for-sale securities (current period)	1	0	0	0
<b>Comprehensive Income</b>	<b>638</b>	<b>535</b>	<b>242</b>	<b>246</b>
<b>Fund Balance - Beginning</b>	<b>28,293</b>	<b>26,854</b>	<b>9,368</b>	<b>8,888</b>
<b>Fund Balance - Ending</b>	<b>\$ 28,931</b>	<b>\$ 27,389</b>	<b>\$ 9,610</b>	<b>\$ 9,134</b>

# Federal Deposit Insurance Corporation

## Bank Insurance Fund and Savings Association Insurance Fund

### Statements of Financial Position

(Dollars in Millions)

	<b>B I F</b>		<b>S A I F</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b><u>(Unaudited)</u></b>		<b><u>(Unaudited)</u></b>	
<b><u>Assets</u></b>	<b><u>1998</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1997</u></b>
Cash and cash equivalents - unrestricted	\$ 195	\$ 258	\$ 149	\$ 189
Investment in U.S. Treasury obligations, net	27,484	25,488	9,344	8,814
Interest receivable on investments				
and other assets	476	449	126	125
Receivables from resolutions, net	841	1,293	4	11
Assets acquired from assisted institutions				
and terminated receiverships, net	53	70	0	0
<b><i>Cash and Investments-Restricted:</i></b>				
Exit fees	0	0	246	233
Software development and other				
capitalized assets, net	24	0	0	0
Property and buildings, net	144	147	0	0
<b>Total Assets</b>	<b>\$ <u>29,217</u></b>	<b>\$ <u>27,705</u></b>	<b>\$ <u>9,869</u></b>	<b>\$ <u>9,372</u></b>
<b><u>Liabilities</u></b>				
Accounts payable and other liabilities	\$ 187	\$ 189	\$ 13	\$ 1
<b><i>Estimated Liabilities for:</i></b>				
Anticipated failure of insured institutions	47	26	0	3
Assistance agreements	25	50	0	0
Litigation losses	8	15	0	0
Asset securitization guarantee	19	36	0	0
SAIF-member exit fees and investment				
proceeds held in escrow	0	0	246	234
<b>Total Liabilities</b>	<b><u>286</u></b>	<b><u>316</u></b>	<b><u>259</u></b>	<b><u>238</u></b>
<b><u>Fund Balance</u></b>				
Accumulated net income	28,930	27,389	9,610	9,134
Unrealized gain/(loss) on available-for-sale				
securities	1	0	0	0
<b>Total Fund Balance</b>	<b><u>28,931</u></b>	<b><u>27,389</u></b>	<b><u>9,610</u></b>	<b><u>9,134</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>29,217</u></b>	<b>\$ <u>27,705</u></b>	<b>\$ <u>9,869</u></b>	<b>\$ <u>9,372</u></b>



# Federal Deposit Insurance Corporation

## Financial Statements for FRF - FSLIC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	June 30 1998 (Unaudited)	June 30 1997 (Unaudited)
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 2,085	\$ 1,712
Receivables from thrift resolutions, net	44	120
Assets acquired from assisted thrifts and terminated receiverships, net	36	147
Other assets, net	6	7
<b>Total Assets</b>	<b>\$ 2,171</b>	<b>\$ 1,986</b>
<b><u>Liabilities and Resolution Equity</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and other liabilities	\$ 118	\$ 8
Liabilities incurred from thrift resolutions	67	98
<b><u>Estimated Liabilities for:</u></b>		
Assistance agreements	6	9
Litigation losses	0	27
<b>Total Liabilities</b>	<b>191</b>	<b>142</b>
<b><u>Resolution Equity</u></b>		
Contributed capital	44,156	44,156
Accumulated deficit	(42,176)	(42,312)
<b>Total Resolution Equity</b>	<b>1,980</b>	<b>1,844</b>
<b>Total Liabilities and Resolution Equity</b>	<b>\$ 2,171</b>	<b>\$ 1,986</b>
STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date June 30 1998 (Unaudited)	Year to Date June 30 1997 (Unaudited)
<b><u>Revenue</u></b>		
Interest on U.S. Treasury obligations	\$ 55	\$ 38
Revenue from assets acquired from assisted thrifts and terminated receiverships	18	28
Limited partnership and other revenue	0	18
<b>Total Revenue</b>	<b>73</b>	<b>84</b>
<b><u>Expenses and Losses</u></b>		
Operating expenses	4	2
Expenses for assets acquired from assisted thrifts and terminated receiverships	6	21
Provision for losses	(62)	(123)
Interest and other insurance expenses	107	4
<b>Total Expenses and Losses</b>	<b>55</b>	<b>(96)</b>
<b>Net Income</b>	<b>18</b>	<b>180</b>
<b>Accumulated Deficit - Beginning</b>	<b>(42,194)</b>	<b>(42,492)</b>
<b>Accumulated Deficit - Ending</b>	<b>\$ (42,176)</b>	<b>\$ (42,312)</b>

# Federal Deposit Insurance Corporation

## Financial Statements for FRF - RTC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	June 30 1998 (Unaudited)	June 30 1997 (Unaudited)
<b><u>Assets</u></b>		
Cash	\$ 150	\$ 349
Receivables from thrift resolutions, net	2,531	2,022
Securitization Reserve Fund	4,753	5,256
Assets acquired from assisted thrifts and terminated receiverships, net	30	129
Other assets, net	18	0
<b>Total Assets</b>	<b>\$ 7,482</b>	<b>\$ 7,756</b>
<b><u>Liabilities and Resolution Equity</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and other liabilities	\$ 54	\$ 130
Notes payable - Federal Financing Bank borrowings	357	2,260
Liabilities incurred from thrift resolutions	8	6
<b><u>Estimated Liabilities for:</u></b>		
Litigation losses	2	3
<b>Total Liabilities</b>	<b>421</b>	<b>2,399</b>
<b><u>Resolution Equity</u></b>		
Contributed capital	91,338	91,345
Accumulated deficit	(84,277)	(85,988)
<b>Total Resolution Equity</b>	<b>7,061</b>	<b>5,357</b>
<b>Total Liabilities and Resolution Equity</b>	<b>\$ 7,482</b>	<b>\$ 7,756</b>
STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date June 30 1998 (Unaudited)	Year to Date June 30 1997 (Unaudited)
<b><u>Revenue</u></b>		
Interest on Securitization Reserve Fund	\$ 156	\$ 155
Revenue from assets acquired from assisted thrifts and terminated receiverships	5	16
Interest on advances to receiverships and other revenue	12	1
<b>Total Revenue</b>	<b>173</b>	<b>172</b>
<b><u>Expenses and Losses</u></b>		
Operating expenses	31	3
Interest expense on Federal Financing Bank debt	16	86
Expenses for assets acquired from assisted thrifts and terminated receiverships	6	12
Provision for losses	(382)	(368)
<b>Total Expenses and Losses</b>	<b>(329)</b>	<b>(267)</b>
<b>Net Income</b>	<b>502</b>	<b>439</b>
<b>Accumulated Deficit - Beginning</b>	<b>(84,779)</b>	<b>(86,427)</b>
<b>Accumulated Deficit - Ending</b>	<b>\$ (84,277)</b>	<b>\$ (85,988)</b>

# Federal Deposit Insurance Corporation

## Financial Statements for FRF - Consolidated

(Dollars in Millions)

<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>		
	<b>June 30 1998 (Unaudited)</b>	<b>June 30 1997 (Unaudited)</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 2,235	\$ 2,061
Receivables from thrift resolutions, net	2,575	2,142
Securitization Reserve Fund	4,753	5,256
Assets acquired from assisted thrifts and terminated receiverships, net	66	276
Other assets, net	24	7
<b>Total Assets</b>	<b>\$ 9,653</b>	<b>\$ 9,742</b>
<b><u>Liabilities and Resolution Equity</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and other liabilities	\$ 172	\$ 138
Notes payable - Federal Financing Bank borrowings	357	2,260
Liabilities incurred from thrift resolutions	75	104
<b><u>Estimated Liabilities for:</u></b>		
Assistance agreements	6	9
Litigation losses	2	30
<b>Total Liabilities</b>	<b>612</b>	<b>2,541</b>
<b><u>Resolution Equity</u></b>		
Contributed capital	135,494	135,501
Accumulated deficit	(126,453)	(128,300)
<b>Total Resolution Equity</b>	<b>9,041</b>	<b>7,201</b>
<b>Total Liabilities and Resolution Equity</b>	<b>\$ 9,653</b>	<b>\$ 9,742</b>
<b>CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT</b>		
	<b>Year to Date June 30 1998 (Unaudited)</b>	<b>Year to Date June 30 1997 (Unaudited)</b>
<b><u>Revenue</u></b>		
Interest on Securitization Reserve Fund	\$ 156	\$ 155
Interest on U.S. Treasury investments	55	38
Revenue from assets acquired from assisted thrifts and terminated receiverships	23	44
Interest on advances to receiverships and other revenue	12	1
Limited partnership and other revenue	0	18
<b>Total Revenue</b>	<b>246</b>	<b>256</b>
<b><u>Expenses and Losses</u></b>		
Operating expenses	35	5
Expenses for assets acquired from assisted thrifts and terminated receiverships	12	33
Provision for losses	(444)	(491)
Interest and other insurance expenses	123	90
<b>Total Expenses and Losses</b>	<b>(274)</b>	<b>(363)</b>
<b>Net Income</b>	<b>520</b>	<b>619</b>
<b>Accumulated Deficit - Beginning</b>	<b>(126,973)</b>	<b>(128,919)</b>
<b>Accumulated Deficit - Ending</b>	<b>\$ (126,453)</b>	<b>\$ (128,300)</b>